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JUN 12 1967

Mr. Lawrence C. McGee
Acting Assistant Secretary
for Domestic and International Business
Department of Commerce
Washington, D. C. 20230

Dear Larry:

Communications Equipment to Western Europe

The third attachment to your June 7 letter states that Commerce is not prepared to accept the State proposal to enter no objection to any COCOM exemption case for export to Western Europe and the USSR of the frequency division multiplex equipment the U.S. proposed to remove from embargo, if the recipient government provided an assurance of peaceful end-use. Defense had previously commented in the State proposal. CIA's April 28 memorandum restated their view that the strategic argument is valid but they recognize there may be overriding foreign policy considerations in this case.

We believe there are overriding foreign policy considerations. A major objective in COCOM is to prevent exports to China which would contribute significantly to that country's nuclear and missiles programs. U.S. refusal to relax various loans, including communications items, has led other COCOM participating countries to strained interpretations under which exports to China as well as to Western Europe are permissible. There are some items important to China which we shall probably want to add to the COCOM List. Others will be very reluctant to agree to new coverage on a China argument if the U.S. has not already demonstrated a liberal position on exemption cases to Eastern Europe for existing items for which China is the main justification. Controlling exports to China is not our only objective in COCOM but, in this instance, we believe it is our paramount objective.

The attachment to your letter suggests that any relaxation of this item should be considered as part of a larger package with which to seek a quid pro quo. In a formal sense, it is not possible to seek a quid pro quo in return for a U.S. policy on exemption cases. This policy would not logically be documented together with international agreement on other issues of interest to the U.S. In an informal sense, the U.S. has already obtained a substantial quid pro quo. The U.S. raised the subject as an obvious bargaining point in connection with:

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the U.S. proposal for a consultation arrangement on computer exports to China. Yet the U.K. proceeded to agree with the U.S. computer proposal without waiting for a U.S. reply on the communications items. It is true, of course, that the U.S. had previously agreed to the export of U.S.-origin parts for the British BTM 4-50 computer to Czechoslovakia in return for British agreement to discuss the U.S. computer proposal. Moreover, even if the computer arrangement were completely discounted as a quid pro quo (which I think would be an exaggeration), we also now have British acceptance of our arguments on communications equipment as far as China is concerned. This is a significant milestone in that they do not concede that communications equipment meets the CREST criteria for embargo. In other words, the British position constitutes a form of acceptance of a China differential. The prospect of no further British attacks in COMSEC on this item constitutes a big plus in terms of reducing bitterness at Future List Reviews.

We therefore plan to send a letter to the United Kingdom in a few days along the lines of our April 14 proposal to you (copy enclosed).

Sincerely yours,

Joseph A. Greenwald
Deputy Assistant Secretary
for International Trade Policy

Enclosure:

Copy of letter to the United Kingdom.

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cc: Defense - Mr. Barber
CIA - Mr. Morell

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Mr. William H. Rilling
Comptroller (Commercial)
1100 Massachusetts Avenue, N.W.
Washington, D.C. 20540

Dear Sir:

On February 24 you asked that we reconsider the U.S. proposals to (1) relax the embargo on frequency conversion multiplex equipment, as described in COMCOM Doc (66) 1522/2 and (2) delete the embargo on conventional coaxial cable, sub-item 212(c). At that time I stressed the special U.S. concern on export of these items to China. On April 12 Mr. O'Brien informed us that, although you do not feel the stand against embargo of a relaxation of the strategic criteria, you accept the U.S. argument on how as China is concerned. We appreciate your response.

I would like to confirm that the U.S. will enter no objection to any COMCOM case, such case for export to Eastern Europe and the USSR of those you request be exempt from embargo provided that, in the case of coaxial cable, deliveries restricted to not extend beyond twelve months from the day of signing of the contract and amounts for individual transactions are reasonable and, in the case of multiplex equipment, the recipient government provides an assurance of peaceful end-use. It is not expected that this condition will cause difficulties, because the major trading organizations in these countries normally provide statements on end use.

Sincerely yours,

Joseph A. Greenstein
Deputy Assistant Secretary
For International Trade Policy

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